



Welcome to the E-  
procurement/reverse auction  
presentation and natural gas  
managers discussion  
September 28, 2006



# E-procurement and the Reverse Auction Process Presentation by World Energy

# State of Colorado

***The Business of Buying Energy Has Changed...***  
***How World Energy Can Assist Colorado***

**September 28, 2006**

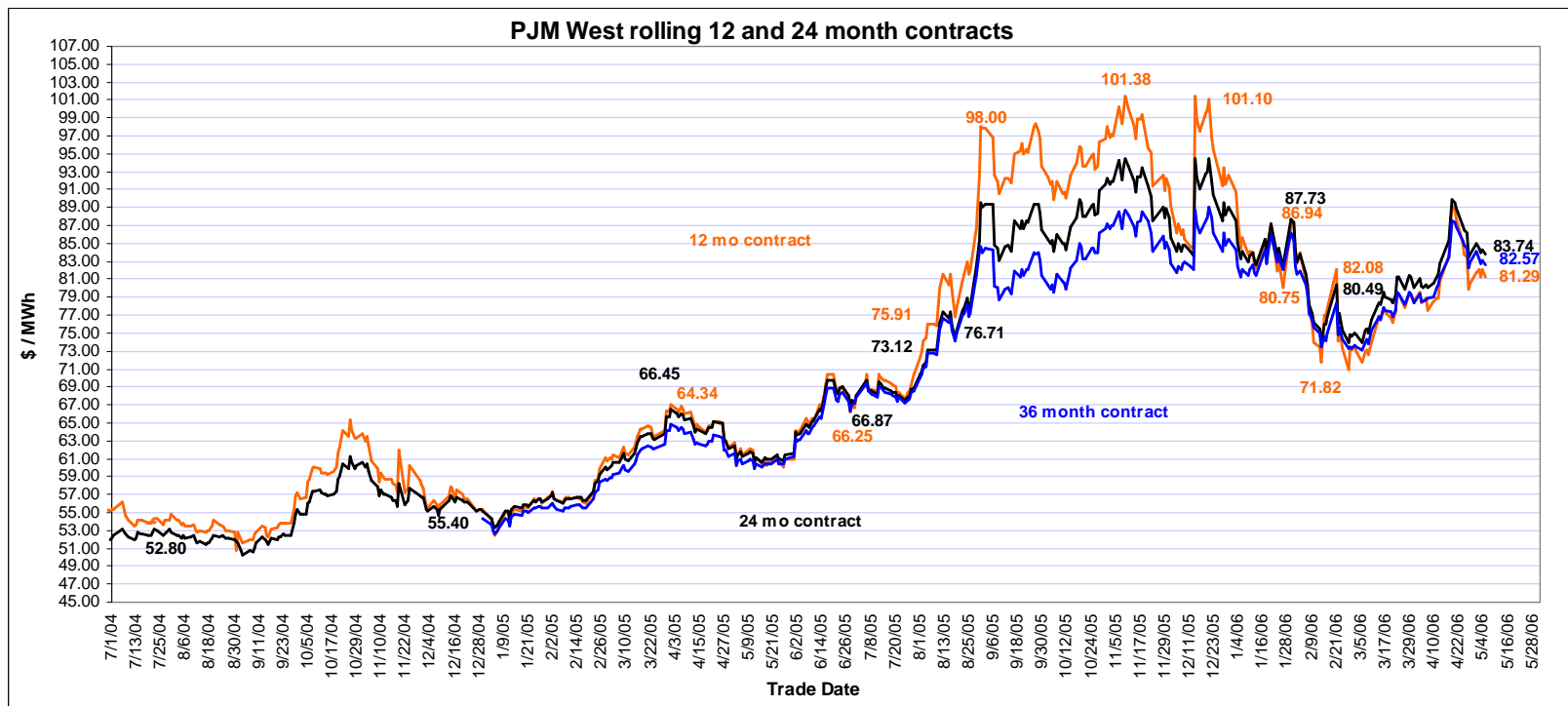


# Outline

- **Today's Energy Environment**
  - **Business Challenges**
  - **Business Opportunity**
  - **Business Solution**
- **About World Energy**
- **How World Energy Does It**
- **Platform**
- **Supplier Feedback**



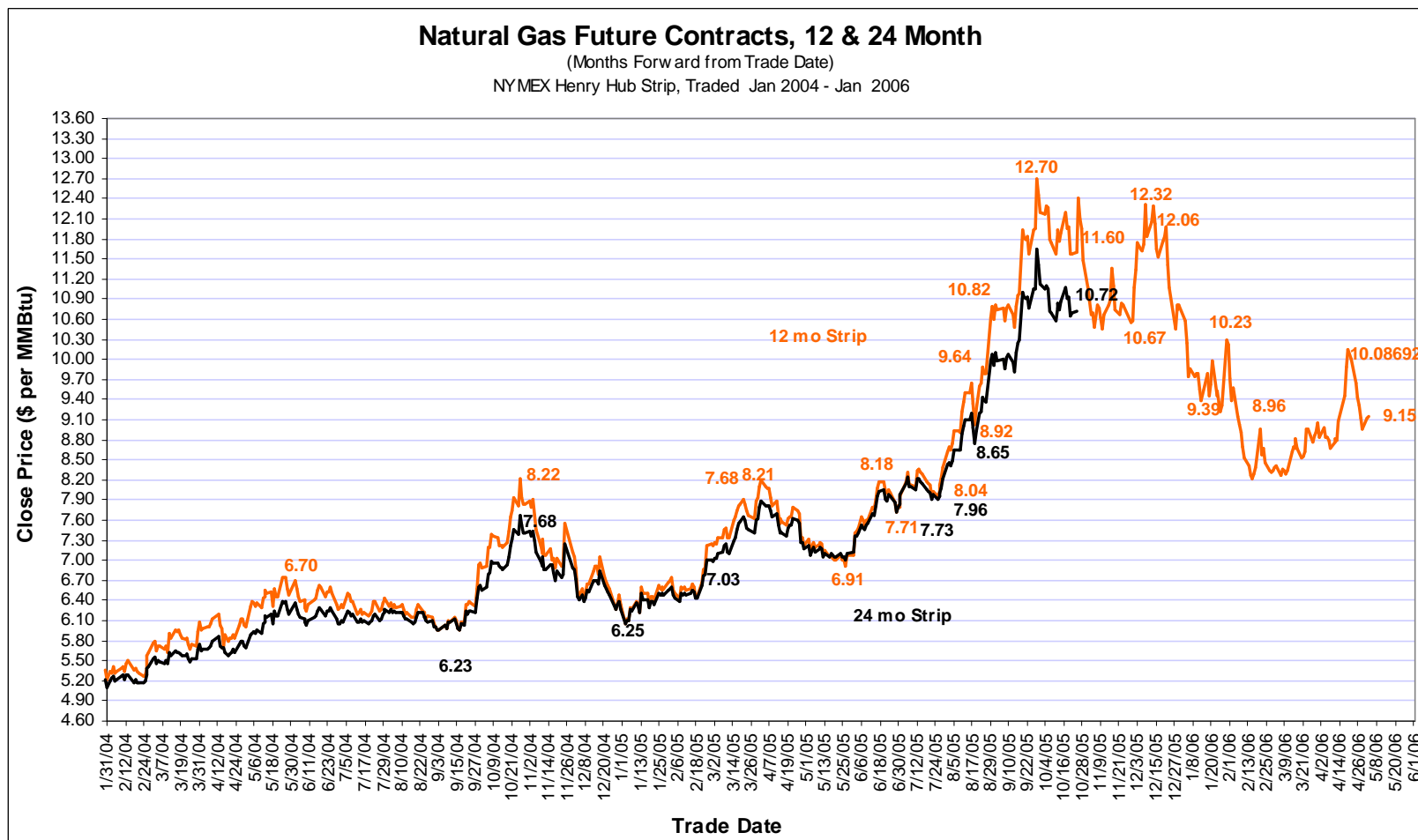
# PJM 12 and 24 Month Contracts



- **Energy prices are expected to remain volatile over the next few years and continue the upward trend due to**
  - **Increasing worldwide demand for oil, specifically China and India**
  - **Political instability in oil producing regions**
  - **More destructive weather events**



# NYMEX 12 and 24 Month Natural Gas Contracts





## Business Challenges

- **The fundamental changes to the market requires new approaches to doing business**
  - **Price volatility forces bidders to pad bids if they have to guarantee them for more than 2-4 hours**
  - **Price volatility can result in high bids for unknown and unpredictable reasons**
    - **Paper procurements can not be reissued rapidly without significant cost to both the consumer and suppliers**
    - **Adverse weather translates into immediate price impacts<sup>1</sup>**
- **The market has changed, businesses must adapt or place themselves at a competitive disadvantage**



## **Business Opportunity**

- **New business processes and tools can help consumers overcome the challenges and profit in the new business environment**
  - **Consumers can complete their load taking advantage of the market to reduce costs and eliminate upside cost risk**
  - **Specialized expertise is available to help customers understand market rules and options and maximize benefits**
  - **DBE and Green Power requirements can be easily addressed**
  - **Customers can diversify their supplier base reducing risk**
- **Purchasers can benefit but only if they are willing to change the way they do business**



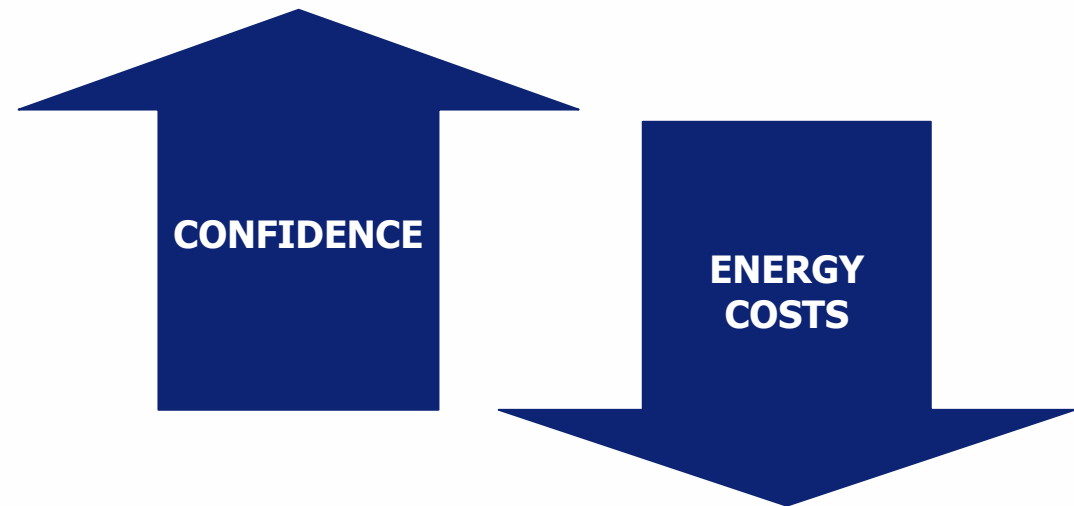
## **Business Solution**

- **Web-based platform allows energy suppliers bid against one another in real time**
  - **Reduce exposure to price volatility**
  - **Sealed bid auctions are less likely to lead to economically efficient outcomes<sup>2</sup>**
- **Energy deregulation expertise reduces work**
- **Supplier network creates liquidity**
  - **Multiple supply sources combining different pricing options creates better savings**
- **Process and software secures lowest price and shortens time to award**
  - **Typical customer savings of 7-15%**
  - **Electronic auctions can be rerun rapidly**



# Overview of World Energy [1]

**World Energy brings together the intelligence and tools to enable energy buyers to procure energy more efficiently - reducing cost and limiting risk.**



- **Have procured over \$1.6B in electricity, natural gas, green credits, and financial instruments**
- **Saved Customers over \$150,000,000**
- **5x the volume of nearest competitor**
- **Runaway market leader of 40 competitive exchanges**

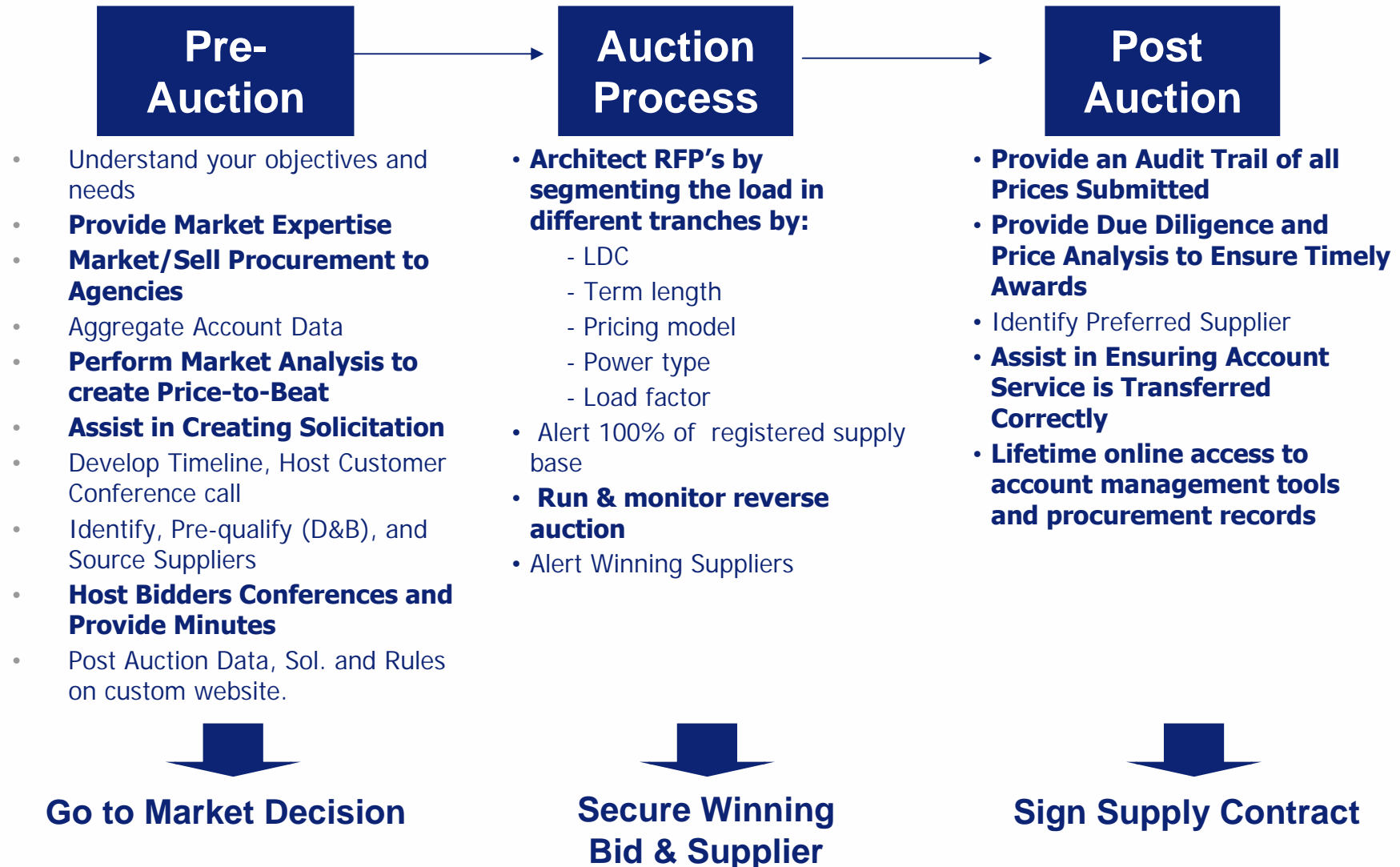


## **No-Risk Business Model**

- **No Cost Risk**
  - **All work done on a performance basis via \$0 contract**
- **No Procurement Process Risk**
  - **Completely transparent process**
  - **No protests to date**
- **No Performance Risk**
  - **Due to our impeccable record of success**
- **No Political Risk**
  - **Award-winning program selected by GSA and a number of State and Local Governments**



# Energy-specific Best Practices





# Drivers of Success

## Market Intelligence

- **Regulatory and Market Rules**
- **Commodity Trend Technical Analysis**
- **Forward Pricing Curves**
- **Price to Compare Analysis**
- **Contract Decision Support Analysis**

## Procurement Process

- **Marketing Support to Build the Aggregation**
- **Load Pull/Database Creation**
- **Solicitation Development**
- **Supplier Communication and Management**
- **Due Diligence Reporting**

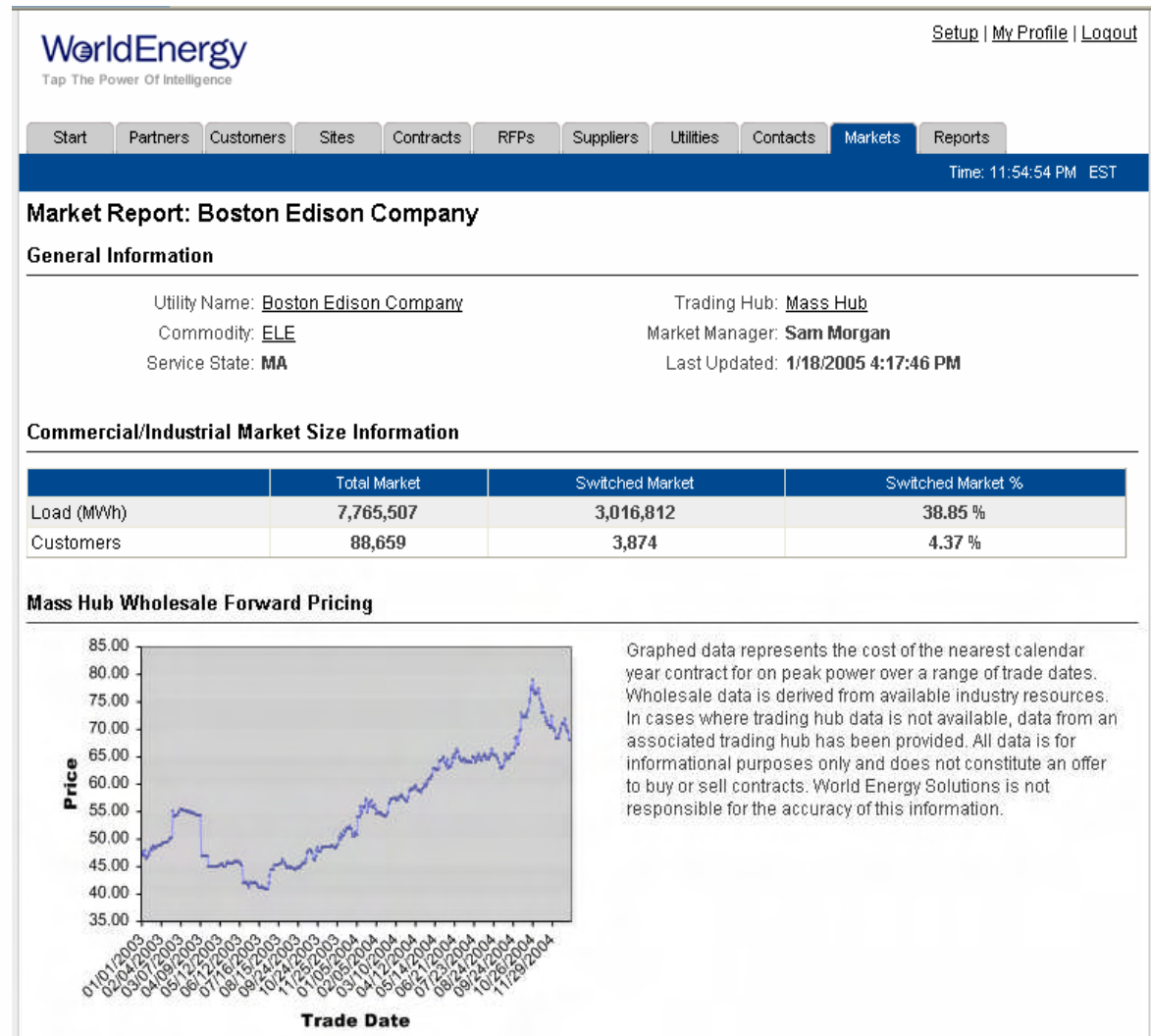
## Energy-Specific Tools

- **Market Summaries**
- **Hybrid Anglo-Dutch Auction Designed Specifically for Energy**
- **Contract, Site, Account Management**
- **On-Going Usage Tracking**

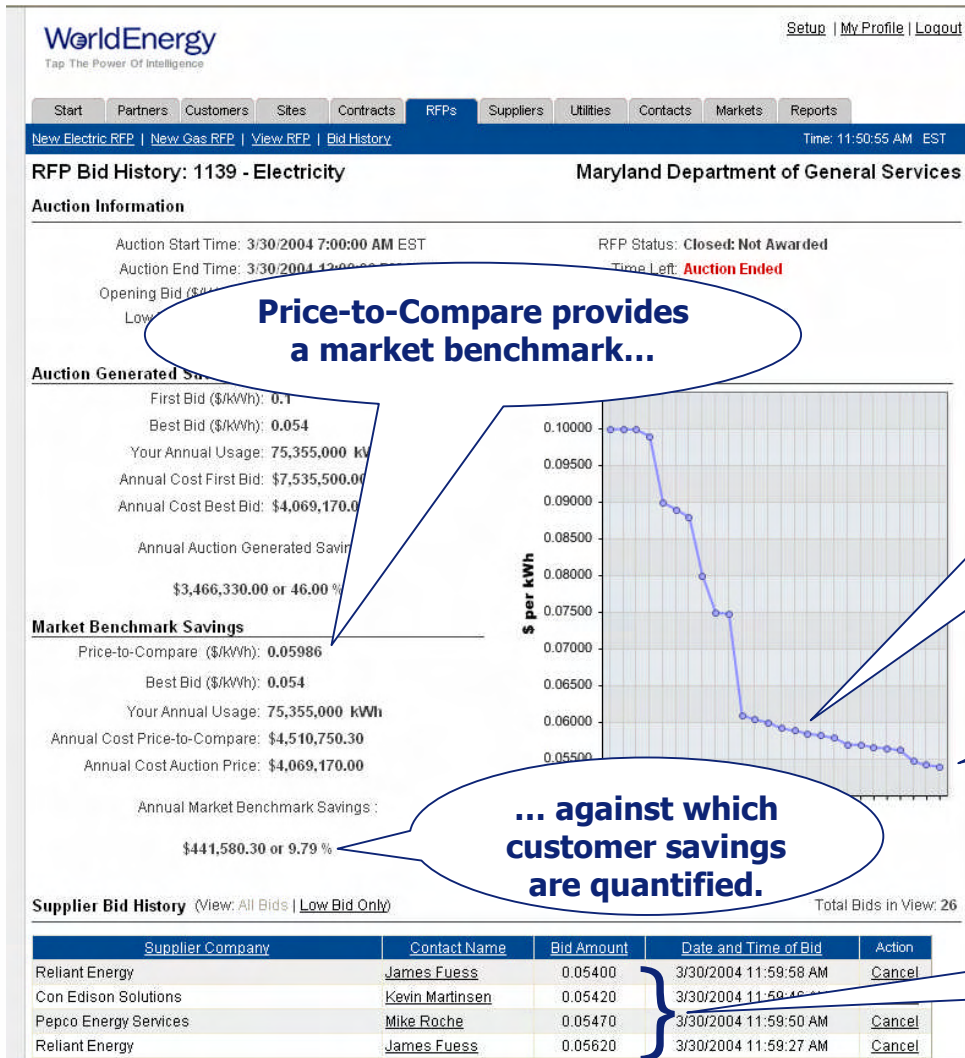


# Intelligence to Guide Decisions

- Platform contains market analysis for all deregulated markets
- Market Characteristics
  - Switch Rules
  - Regulatory History
  - Rate Classes
- Pricing trends
  - Real Time
  - Day Ahead
  - Forward Curves
  - Technical Analysis
- Current Go-to-Market recommendation



# World Energy Solutions' Exchange™





# Deal Process Management

WorldEnergy

Tap The Power Of Intelligence

[Setup](#) | [My Profile](#) | [Logout](#)

Start

Partners

Customers

Markets

Deals

RFPs

Contracts

Sites

Suppliers

Utilities

Contacts

Reports

[New Electric Deal](#) | [New Gas Deal](#)

Time: 12:53:42 PM EST

## Deal View: NJ GSA Region 3

Edit

### General Information

Deal Name: **NJ GSA Region 3**

Number of Accounts: **11**

Customer Name: General Services Administration (GSA)

Deal Type: **Government**

Customer Contact: **Ken Shutika**

Renewal: **False**

Service State: **NJ**

Probability: **100%**

Target Auction Date: **2/2/2006**

Status: **Closed: Awarded**

Earliest Flow Date: **4/1/2006**

Last Updated: **2/7/2006 5:06:37 PM**

### Sales Information

Sales Manager: **Richard Domaleski**

Estimated Annual Usage: **40,000,000 kWh**

Account Manager: **Richard Domaleski**

Estimated Fee (\$/kWh)\*: **0.00100**

### Operations Support

Market Director: **Vitana Melesiute**

Market Analyst: **Erica Backstrom**



# Tools for Portfolio Management – Contract Management

WorldEnergy  
Tap The Power Of Intelligence

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Partners

Customers

Markets

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Contacts

Reports

[New Electricity](#) | [New Fuel](#) | [New Gas](#) | [New Green Credit](#)

Time: 8:35:48 PM EST

## Contracts: Start

Contract No:  Type:  Flow End (from):  [Date Picker](#)  
Customer:  Supplier:  Flow End (to):  [Date Picker](#)  
Partner:  Status:  Account No:  [Search](#)

Total Contracts Found: 8

<a href="#">Contract</a>	<a href="#">Type</a>	<a href="#">Customer</a>	<a href="#">Term</a>	<a href="#">Flow Start</a>	<a href="#">Flow End</a>	<a href="#">Supplier Name</a>	<a href="#">Accounts</a>	<a href="#">State</a>	<a href="#">Pricing</a>	<a href="#">Price</a>	<a href="#">Status</a>
<a href="#">1618</a>	ELE	Maryland Department of General Services	12	07/01/2006	07/01/2007	Hess Corporation	<a href="#">1</a>	MD	Fixed	0.08850	Active
<a href="#">1270</a>	ELE	Maryland Department of General Services	24	09/01/2005	09/01/2007	Select Energy	<a href="#">102</a>	MD	Fixed	0.06805	Active
<a href="#">1148</a>	ELE	Maryland Department of General Services	24	01/01/2005	01/01/2007	Hess Corporation	<a href="#">25</a>	MD	Fixed	0.05940	Active
<a href="#">1147</a>	ELE	Maryland Department of General Services	24	01/01/2005	01/01/2007	Hess Corporation	<a href="#">2</a>	MD	Fixed	0.05950	Active
<a href="#">1146</a>	ELE	Maryland Department of General Services	24	01/01/2005	01/01/2007	Constellation New Energy	<a href="#">2</a>	MD	Fixed	0.06600	Active



# Tools for Portfolio Management – Contract Details

WorldEnergy  
Tap The Power Of Intelligence

[Setup](#) | [My Profile](#) | [Logout](#)

Start

Partners

Customers

Markets

Deals

RFPs

Contracts

Sites

Suppliers

Utilities

Contacts

Reports

[New Electricity](#) | [New Fuel](#) | [New Gas](#) | [New Green Credit](#) | [View Contract](#) | [View Accounts](#)

Time: 8:36:50 PM EST

## Contract View: 1270 - Electricity

Edit

### General Information

Customer Name: Maryland Department of General Services

Usage Start Month: **09 2005**

RFP Number: 1780

WES Contract: **True**

Supplier: Select Energy

Contract Renewal: **False**

Flow Start Date: **09/01/2005**

Tax Exempt: **False**

Flow End Date: **09/01/2007** Verified: **False**

Evergreen Clause: **False**

Contract Duration: **24 months**

Contract Status: **Active**

Settlement Date: **05/03/2005**

Last Updated: **5/12/2005 9:37:44 AM**



# Tools for Portfolio Management – Account Management

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Tap The Power Of Intelligence

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[Start](#)

[Partners](#)

[Customers](#)

[Markets](#)

[Deals](#)

[RFPs](#)

[Contracts](#)

[Sites](#)

[Suppliers](#)

[Utilities](#)

[Contacts](#)

[Reports](#)

[New Electricity](#) | [New Fuel](#) | [New Gas](#) | [New Green Credit](#) | [View Contract](#) | [View Accounts](#)

Time: 8:37:53 PM EST

## Contract Accounts View: 1270 - Electricity

Total Accounts: 102

<a href="#">Account Number</a>	<a href="#">Active</a>	<a href="#">Site Name</a>	<a href="#">City</a>	<a href="#">State</a>	<a href="#">Utility Name</a>	<a href="#">Total Usage (kWh)</a>
<a href="#">206428799996</a>	True	101 RAILROAD AVE	ELKTON	MD	Delmarva Power Company	<a href="#">58,670</a>
<a href="#">221217999996</a>	True	102 WILLOW ST	STMICHAELS	MD	Delmarva Power Company	<a href="#">110,956</a>
<a href="#">205374299993</a>	True	10385 RALPH ABBOTT RD	DEALISLAND	MD	Delmarva Power Company	<a href="#">19,716</a>
<a href="#">205494099992</a>	True	10385 RALPH ABBOTT RD	DEALISLAND	MD	Delmarva Power Company	<a href="#">19,554</a>
<a href="#">218804899993</a>	True	110 FRANKLIN ST	DENTON	MD	Delmarva Power Company	<a href="#">15,936</a>
<a href="#">220517199992</a>	True	115 WYE HALL DR	QUEENSTOWN	MD	Delmarva Power Company	<a href="#">1,342</a>
<a href="#">218737299998</a>	True	120 BROADWAY	CENTREVILLE	MD	Delmarva Power Company	<a href="#">993,600</a>
<a href="#">208495199993</a>	True	1201 HOLLOWAY RD	DARLINGTON	MD	Delmarva Power Company	<a href="#">3,166</a>
<a href="#">221194599991</a>	True	121 GRACE ST	STMICHAELS	MD	Delmarva Power Company	<a href="#">19,022</a>
<a href="#">209055299991</a>	True	127 N SIMPERS RD	ELKTON	MD	Delmarva Power Company	<a href="#">18,280</a>
<a href="#">210623699993</a>	True	170 E MAIN ST	ELKTON	MD	Delmarva Power Company	<a href="#">3,261,664</a>
<a href="#">210627899995</a>	True	1726 FRENCHTOWN RD	PERRYVILLE	MD	Delmarva Power Company	<a href="#">4,889,018</a>



# Tools for Portfolio Management – Account Usage

## Usage History Profile Options

On-Peak/Off-Peak Usage: **False**

On-Peak/Off-Peak Maximum Demand: **False**

## Usage History Summary ([Usage History](#))

Total Service Days: **363**

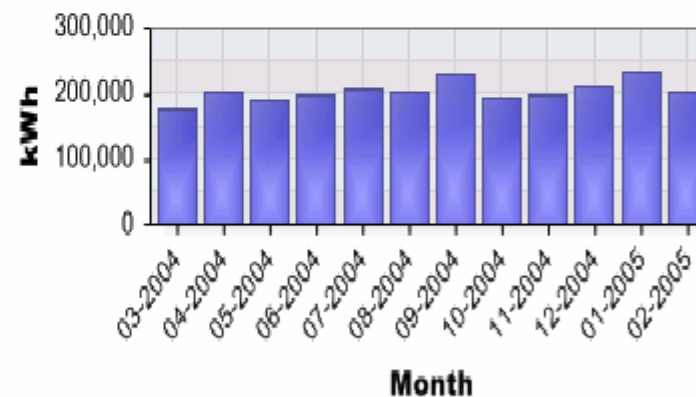
Records Selected: **12**

Total Annual Usage: **2,444,509 kWh**

Maximum Demand: **471 KW**

Annual Load Factor: **59.57 %**

History Last Updated: **5/11/2005 10:44:22 PM**





# Robust Analysis and Reporting

**WorldEnergy**  
Tap The Power Of Intelligence

Setup | My Profile | Logout

Start | Partners | Customers | Markets | Deals | RFPs | Contracts | Sites | Suppliers | Utilities | Contacts | **Reports**

Time: 12:59:27 PM EST

## Reports

**Accounting**  
[Collections](#)  
[Collections Detail \(Expected Only\)](#)  
[Commissions Forecast By Employee](#)  
[Commissions Forecast By Partner](#)  
[Commissions Forecast By Partner \(All\)](#)  
[Commissions Payable By Employee](#)  
[Commissions Payable By Partner](#)  
[Commissions Payable By Partner \(All\)](#)  
[Supplier Payment Template](#)

**Contact Management**  
[Contacts Report](#)

**Contract Management**  
[Contracts Report](#)  
[Contracts Expiring In 90 Days Report](#)  
[Contract Accounts Report](#)  
[Contract Usage Report](#)  
[Contract Commissions Report](#)  
[Contract Fees Report](#)

**RFP Management**  
[RFPs Report](#)  
[RFP Bid History \(all bids\)](#)

**Site Management**  
[Sites Report](#)

**Supplier Management**  
[Suppliers Report](#)  
[Supplier Utilities Report](#)

**Security**  
[Login History](#)

**Utility Management**  
[Utilities Report](#)

**Deals Management**  
[Open Deals Report](#)  
[Tasks By Deal](#)  
[My Tasks Report](#)



## Supplier Feedback on our Process

**"You bring deals my sales force doesn't see, so I have sales and marketing margin to play with."**

**"I get a lot of good pricing information about the market through the auction process."**

**"I know where I stand in the process, so I can mitigate my risk in the wholesale market."**

**"Their data is so well organized, it costs me less to price a deal from World Energy."**



## References

1. **Borenstein, Severin, "The Trouble with Electricity Markets: Understanding California's Restructuring Disaster," The Journal of Economic Perspectives, Winter 2002, Volume 16, Number 1.**
2. **Klemperer, Paul, "What Really Matters in Auction Design," The Journal of Economic Perspectives, Winter 2002, Volume 16, Number 1.**

**Thank you!**





# Natural Gas Managers Discussion

# Topic 1

## Gas Contracts Discussion

What is Success – or- If You Can't Beat Them (Xcel), Why Not join Them?

What are the benchmarks for a successful gas purchasing program? Xcel's costs? Stable budget?

# Topic 2

## Aggregate Balancing Discussion – Does it Benefit Us or the Vendor?

Aggregate balancing works transparently on a day-to-day basis and also during an Operational Flow Order (OFO). All of the information appears to be in the hands of the vendor and not available to the customer, hence some concern.

# Topic 3

## OFO Procedures Discussion

How do different vendors do balancing?

# Topic 4

## Pricing for FY07 and FY08 discussion

Update on the Rockies Express  
pipeline

[http://www.kindermorgan.com/business/gas\\_pipelines/rockies\\_express/](http://www.kindermorgan.com/business/gas_pipelines/rockies_express/)

CIG index pricing vs fixed pricing

# Topic 5

Other topics(?)

Thank you everyone for participating  
in today's presentation and  
discussion!